DCMA's Earned Value Leaders Weigh In

by Mr. Terry Jones, Staff Writer

Over the past two issues, the Communicator has been reporting on the expansion of Earned Value Management (EVM) to all major federal contracts and the policy changes that are in store for the Department of Defense (DoD). To do full justice to the subject, we decided to interview DCMA's top EVM experts, Mr. Richard Zell and Mr. Steve Krivokopich, to find out what is on their minds. Mr. Zell has been the director of Supplier Operations for the past seven years, and he has been with DCMA since 1990. Mr. Krivokopich, deputy director of EVM/Supplier Operations, came to DCMA Headquarters in February 2003. Prior to this, he was the director of the DCMA Earned Value Management Center in Carson, Calif. When DCMA decided to consolidate the center's responsibilities at Headquarters, he came east.

(Right) Mr. Zell, director of Supplier Operations, is one of DCMA's top EVM experts.

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Q: We all know that Earned Value (EV) will be expanding exponentially in the federal government over the next few years thanks to the new Federal Acquisition Regulation (FAR) language, which mandates EV for all government high-dollar and high-risk programs. Why do you think it is catching on now?

Mr. Zell: I think it is catching on because we have been able to move it from a cost-reporting tool to a program management tool. Even seven to 10 years ago, very few program managers (PMs) and higher officials used EV. It's no longer just a reporting system, which is really what it was in the 1960s and 1970s. Nowadays, you have people like Mr. Wynne (acting under secretary of Defense for Acquisition, Technology & Logistics) looking at the EV data on these major programs, particularly when a program starts to get into trouble. So it really has become a program management tool. I have been in charge of this now for seven years and didn't come from EV. I came from the technical/engineering quality world. I would say that EV is where quality was in the mid- to late 1980s. There was a realization at the time that it wasn't just the quality people's profession; it was the responsibility of everyone. That is where we are going with EV, not just in DoD but also around the world. Everybody needs to understand EV and how their function translates into the program to help minimize risks and get the risks right.

Mr. Krivokopich: The other aspect of it is technology. We now have the capability to get down to very low levels in terms of execution and planning. Not many years ago, everything was rolled up, which added to the large lag time.

Q: But isn't one of the purposes of EV not only to identify what is happening in a program but also to suggest one or more corrective actions to get it back on course?

Mr. Krivokopich: In some situations, we are in a position to identify what needs to be done. But often times that becomes a statement of the obvious when you are talking about things such as a technical performance indicator because of what's being measured. But yes, there are times where our people have the ability to identify what needs to be done. However, we walk a tight line there. What we are trying to do, as a minimum, is to understand what the supplier's plan is and be able to provide to our customer an independent perspective of the likelihood of that plan achieving its desired outcomes. In the final analysis, the supplier is the one who has to implement the plan. They need to own that plan in order to implement it.

Q: Some EV professionals lament that many government staffers with EV knowledge are retiring. With the expanding requirement to use EV, they are saying we need more trained people, and it takes time to accomplish that.

Mr. Zell: That is a very interesting scenario of what's been happening. There is a body of knowledge for EV. It's true. A lot of them have retired, and I'm not so sure that it is a bad thing. A lot of the cultists are leaving, and we are getting new folks who do need to understand the body of knowledge. But they must understand it in a different way — as a program management tool. It is not just about numbers. But I think one of the neatest things is that the other people are becoming EV

(Above) Mr. Krivokopich, deputy director of EVM/Supplier Operations, is leading DCMA in EVM initiatives.

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fluent. It's like quality: quality is everybody's job. All program personnel need to be able to understand it. We aren't totally there yet. But you could almost go any place, and people would at least be aware of EV to differing extents. Whereas seven to 10 years ago, other functions didn't even know it existed.

Mr. Krivokopich: To give you some context for that, in the early 1990s, EV — the discipline and the expertise — was organizationally within DoD. It resided in the comptroller's office. So EV was viewed as a financial reporting tool. Companies tend to draw a line that way also. Most of the people who have been in this business for a long time came out of the cost and estimating areas. So a little over 10 years ago, DoD recognized that EV was integral to program management, and it was organizationally moved to program management. A change of that nature just doesn't happen by changing someone's office symbol. There are cultural issues as well as the need for additional skills in order to apply EV to program management. While that is occurring, it hasn't happened as fast as some would like to see. When the old timers talk about all of the people who are leaving and the need for training, they are looking behind them at the path that they forged. I've got three engineers on my staff of five. It was a way to infuse a different skill set.

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Q: So what you are saying is we need to sharpen our people so they use the tool well and that a lot of people already know EV. They just didn't know they know it.

Mr. Zell: Right.

Mr. Krivokopich: Right.

Mr. Zell: It is not the tool or variance that is important; it's what happened to cause the problem. What were the underlying root causes? Was it faulty risk assessment? Somebody made a judgment that something was going to happen and it didn't. The big change for our organization is that we now are trying to understand the contractor's program and plan and that these variances don't just happen. There are underlying causes. If you understand the cause, you are able to make some predictions so that decisions can be made. The EV community could always see things, but they didn't make useful predictions. They would predict it would go over cost, but they would not determine why. They never really helped the PM. Nowadays, it is about the underlying causes of the plan. There was some faulty reason within the plan somewhere. So, how can we collectively make decisions between the two PMs — the contractor and government PM — and either correct or put resources against it. There are a lot of decisions that they could make.

Mr. Krivokopich: A functional specialist already understands the supplier's plan to execute a project, and they have a sense of progress on that. What they need to do is make the connection in terms of EV. At this point, they are thinking EV is something different. It is not different. It's the language of program management in terms of identifying performance in terms of cost and schedule. I'll use an example: an industrial specialist says, "They are behind schedule and don't have enough resources to get this done." That's information, but it doesn't put it in context for the decision maker. What is the cost of this particular performance? What is going to be the cost to get improved performance to meet our plan? Will we even be able to get back to the plan? Will we have additional costs through schedule slips? Our people have

this information. If they just take a couple of additional considerations into account, they can articulate performance in terms of cost and schedule, which coincidentally is EV.

Q: What is your take on third-party certification? Some seem to think that if private companies start becoming third-party certifiers, there would probably be some type of government panel established — which DCMA would most likely be represented on — that would check the checkers.

Mr. Zell: I doubt that would happen. That was always the problem with ISO 9000 [the International Organization for Standardization's international reference for quality certification]. There is nobody within the government who wants to or will take that role. So, I very much doubt that we could. By having EV across the whole government, there is very limited EV knowledge outside of DoD. We encourage agencies to develop their internal people because we can't be everything to everybody. When we go out and look at contractor systems, the terminology used to be called "validations." We now try to call it "the capability." So when Steve and I go out and look at a contractor system, we judge whether it is capable of providing good data. That is a big deal because now that you are capable, you need to lay in your program to get the best benefit out of it.

Q: So, are you thinking of some sort of government certification?

Mr. Zell: Well, that's what we are doing now. What we do with ISO 9000 with a third party is that our people in the field individually look at a plant very specifically. When we go out, we are looking at a capability. So today, you are capable. But, we base it on the fact that we have people there doing ongoing surveillance and actually looking at how they are performing. The bottom line becomes what does any certification or validation mean? We have doctors that are certified. It doesn't mean that a podiatrist can do great brain surgery if you give him that contract.

Q: Would you be an advocate of preparing DCMA to take the role on for the entire government?

Companies really using [EVM] as a management tool have good processes in place.

Mr. Zell: I am not sure I would be an advocate of DCMA doing it for everybody because of the resources issue. I think the industry push with itself is greater leverage than the government, especially nowadays. I could do it. But once we leave that plant, if we don't have cognizance over it, who is going to make sure they keep doing it? I am not opposed to the third party. They will just hire all of my ex-people, which is what they have done in the past. But, if there isn't anyone in the plant watching it, what is the incentive for the company to keep using EV? The answer is that they would have to be committed to adhering to industry standard. In an ideal world, and if I were king for a day, I would use and advocate a maturity model approach like we do with software. A three would mean that you are capable, but we are really shooting for fours and fives. Companies really using it as a management tool have good processes in place. To me, a maturity model makes a lot more sense. But, generally companies are more interested in a "yes" or "no." But then it becomes, "What does that mean?" If you are not in there doing surveillance, what does it mean in two years or five years? That is the dilemma you run into. It is not an easy thing.

Q: What is your next milestone?

Mr. Krivokopich: Over the short term, here at the Headquarters we are looking inward trying to improve the capabilities within the Agency to use EV, so we can supply better insights to our customers. We have put a lot of focus on things external to the Agency but internal to the department for the last three years or so. We are at a crossroads at directing our efforts inward.